

EXCA response to the public consultation in preparation of an analytical report on the impact of the international climate negotiations on the situation of energy intensive sectors

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Introduction

EXCA welcomes the opportunity to be consulted in the preparation of the “analytic report, in the light of the outcome of the international negotiations and the extent to which these lead to global greenhouse gas emission reductions, assessing the situation with regard to energy-intensive sectors or subsectors that have been determined to be exposed to significant risks of carbon leakage” according to Article 10(b) of the revised EU Emission Trading Directive.

EXCA is concerned with the extension of the scope indicated with the questions in this consultation, which is far beyond the scope of Article 10(b) of the revised EU Emission Trading Directive.

In EXCA's opinion, Article 10(b) is about assessing the situation of energy intensive industries exposed to significant risk of carbon leakage and measures to support exposed industries. A review of the list of sectors and sub-sectors exposed to significant risk of carbon leakage is not within the scope of Article 10(b).

1. In your opinion, how have key indicators of the risk of carbon leakage (such as exposure to international trade, carbon prices etc.) for the EU energy intensive industry changed since the adoption of the climate change and energy package implementing the EU's unilateral 20% emission reduction target at the end of 2008?

Key indicators of the risk of carbon leakage have not changed. Not since the adoption of the climate and energy package at the end of 2008, and especially not in the light of the outcome of the international negotiations.

Furthermore, a review of key indicators is not within the scope of article 10(b).

2. Do you think that the outcome of Copenhagen, including the Copenhagen Accord and its pledges by relevant competitors of European energy-intensive industry, will translate into additional greenhouse gas emission reductions sufficient to review the list of sectors deemed to be exposed to a significant risk of carbon leakage? If so, how and why?

The Copenhagen Accord and its pledges will not translate into additional greenhouse gas emission reductions.

In addition, a review of the list of sectors and sub-sectors exposed to significant risk of carbon leakage, as indicated in the question, is not within the scope of article 10(b).

3. In your view, what would be a compelling new general economic or other factor which would require a change of the level of free allocation to sectors deemed to be exposed to a significant risk of carbon leakage?

A compelling factor to increase the level of free allocation would be if the benchmarks and rules for free allocation, currently being developed by the Commission, are too stringent and does not prevent carbon leakage.

4. Do you consider free allocation of allowances as sufficient measure to address the risk of carbon leakage, or do you see a need for alternative or additional measures?

Free allowances is only a sufficient measure to address the risk of carbon leakage related to the cost of the direct CO₂ emission if the benchmarks and rules for free allocation are designed to

- (i) reflect what is realistically achievable by installations and
- (ii) to give incentives for reductions in greenhouse gas emission.

If the rules are too stringent they will not prevent carbon leakage.

As a product specific benchmark is not feasible for the expanded clay aggregates, free allocation should be given based on the fall-back approaches. In developing the rules for free allocation the following has to be taken into account

- The linear reduction factor should not be applied when calculating the free allocation for an installation
- The fuel mix benchmark should provide incentive for further energy recovery from waste
- No burden sharing factor/improvement factor should be applied to process emissions

Alternative or additional measures to address carbon leakage

- A higher amount, than 100%, of free allowances which is in line with Recital 25 of the revised EU Emission Trading Directive
- Allowing the uniform cross-sectoral correction factor to be higher than 1 to ensure that all free allowances available are allocated
- The very ambitious benchmarks should be the performance to be achieved in 2020 and not in 2013, the uniform cross-sectoral correction factor is used to guarantee the overall 21% reduction
- Ensure that all energy-intensive industries get access to compensation for indirect burden from higher electricity costs

About EXCA and the expanded clay industry

EXCA was founded in 2007 to promote the interests of the expanded clay industry in EU and EFTA by representing its members on environmental, economic and technical issues. EXCA has 12 member companies which operate 18 kilns in Austria, Belgium, Czech Republic, Denmark, Estonia, Finland, Germany, Italy, Poland, Portugal and Sweden.

Expanded clay is a versatile lightweight aggregate suitable for a wide range of applications in the construction industry. It is an efficient construction material whose properties contribute to a sustainable built environment. E.g. the low weight reduces the transport work and thus also the CO₂ emission related to transportation. The thermal insulation properties improve the buildings energy performance and thus contribute to reduce the CO₂ emission related to heating and cooling of buildings.

Expanded clay lightweight aggregates are manufactured from naturally occurring clay. The clay is extracted, pre-prepared and then introduced to rotary kilns. Fuel is introduced to the kilns and the clay is expanded at temperatures of about 1150 °C. This process transforms the clay into various sized lightweight granules which have a hard ceramic shell and porous core. Up to five cubic meters of expanded clay aggregates is produced from only one cubic meter of clay.